

## WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP

### MESSAGING RESOURCES/POLLING UPDATE

**End the Bailouts.** Instead of directing failed non-banks to an enhanced bankruptcy proceeding, the Democrats approved the creation of a \$200 billion bailout fund. As a result, the government will continue the practice of bailing out "too big to fail" firms. The assessments on financial institutions to capitalize this fund will devastate these firms' balance sheets and drain capital from the financial system - capital that could be used for lending or investment that would create jobs and fuel economic growth. The Democrats created the façade that taxpayer funding would not be used by enacting a tax on the competitors of failed financial firms. However, the legislation institutionalizes a government safety net of the financial market, placing taxpayers on the hook in the future.

**Reign In The Federal Reserve.** The Democrats' legislation rewards the Federal Reserve with new missions to monitor and regulate "systemic risk" in the financial market. The Federal Reserve has done a poor job of identifying and addressing systemic risks before they became crises. Even more troubling are the extraordinary market interventions conducted by the Federal Reserve since the onset of the financial crisis that have added trillions of dollars to the government's balance sheet and taken it far afield from its core mission of conducting the nation's monetary policy.

**The Democrats' Financial Reforms Will Hamper The Ability Of The Economy To Recover And Create Jobs.** The Democrats' financial reforms increase government bureaucracy and impose an array of new taxes on consumers, investors, and businesses. Ultimately, this will undermine job creation and economic growth. For example:

- The derivatives legislation will impact Main Street companies by limiting their ability to hedge for risks.
- The permanent bailout fund will impose a \$200 billion tax on large financial firms that did not engage in risky behavior that caused the financial crisis.
- The authority for regulators to limit the size of companies will undermine the competitiveness of the US economy.
- The CFPA would establish an unelected "credit czar" that would be able to dictate what financial products could be offered and at what terms, drastically reducing the number of financial products available and driving up the cost of credit.
- The Investor Protection Act will limit investor options and expand litigation, thereby making investment transactions more expensive.

## Polling Update

Rasmussen: "42% Rate Geithner's Performance As Poor... Forty-two percent (42%) of Americans say Treasury Secretary Timothy Geithner has done a poor job handling the credit crisis and federal bailout programs, according to a new Rasmussen Reports national telephone survey."

Rasmussen: "50% Say Their Credit Card Interest Rates Were Raised in Last Six Months... Fifty percent (50%) of Americans say interest rates on their credit cards have been raised in the past six months, as Congress seeks to limit the ability of banks to raise those rates."

## ON THE HORIZON

Monday, November 30: The Oversight Subcommittee will convene a field hearing in Michigan on small business lending at 11 am.

Wednesday, December 2: The Full Committee will meet to vote on final passage of the Democrats' bailout authority bill and begin consideration of H.R. 2609, the Federal Insurance Office Act at 9:30 am in room 2128 Rayburn. At 10:30, the Full Committee will convene for a hearing on FHA.

Thursday, December 3: The Full Committee will convene a hearing on illegal Internet gambling at 10 am in room 2128 Rayburn.

## WEEKEND MUST-READS

Wall Street Journal: "Lehman, Bear Executives Cashed Out Big ... Bear Stearns Cos. and Lehman Brothers Holdings Inc. executives cashed out nearly \$2.5 billion from their firms between 2000 and 2008 even though the financial crisis hammered the shares they held, according to a study set to be released Monday."

Wall Street Journal: "How to Break Up the Banks ... The financial crisis that sparked the worst recession in decades is in abeyance, but not yet over."

Wall Street Journal: "No Bondholder Left Behind ... 'We won't have a real market-based financial system until it is safe to let a financial firm fail,' Federal Reserve Chairman Ben Bernanke said last week."

LA Times: "FHA-insured mortgages may become more expensive and harder to get ... For several years, the Federal Housing Administration has been the go-to financing resource for cash-strapped home buyers who can't come up with a big down payment. It has zoomed from barely a 3% market share to nearly 30% of home purchase loans.

Wall Street Journal: "AIG and Systemic Risk ... TARP Inspector General Neil Barofsky keeps committing flagrant acts of political transparency, which if nothing else ought to inform the debate going forward over financial reform. In his latest bombshell, the IG discloses that the New York Federal Reserve did not believe that AIG's credit-default swap (CDS) counterparties posed a systemic financial risk."

NY Times: "With F.H.A. Help, Easy Loans in Expensive Areas ... In January, Mike Rowland was so broke that he had to raid his retirement savings to move here from Boston."

#### COMMITTEE REPUBLICANS IN THE NEWS

Rep. Ron Paul issued this press release: [Paul-Grayson Amendment Passes Committee](#)

Rep. Tom Price issued this press release: [White House Seeks to Retain Firm Grasp on \\$700 Billion Slush Fund](#)

Rep. Spencer Bachus issued these press releases: [Bachus: Proper Oversight Of The Federal Reserve Is Essential To Financial Regulatory Reform](#); [Bachus, Blunt: Americans Deserve Answers Regarding AIG's Bailout To Protect Taxpayers](#)

In The Future; Bachus, Capito Call For Hearings To Examine State of FHA.

## CARTOON OF THE WEEK

(Washington Post 11/18/2009)